



# Export Finance Solutions

## State of Utah

EXPORT-IMPORT BANK  
*of the* UNITED STATES

Salt Lake City, UT  
November 20, 2003

Jobs Through Exports

**David Josephson**  
**Director, West Regional Office**



# Where is the money?

---

- The banks have it, Ex-Im does not
- Deal size is important
  - Is it realistic?
- A gradualist approach may be necessary
- Reasonableness of the risk



# Who needs the money?

---

- Manufacturer?
- Trading Company?
- Exporting Company?
- Dealer?
- Buyer?



# When is the money needed?

---

- Before a contract is awarded?
- Before manufacturing can begin on a contract?
- Upon shipping?
- Post-shipment?



# What is the purpose of the funding?

---

- For international marketing or sales?
  - Not an Ex-Im Bank solution – TDA or DOC
- For a foreign investment?
  - Not an Ex-Im Bank solution – OPIC
- For purchasing tooling or equipment?
  - Not an Ex-Im Bank solution - SBA



# What then, is an Ex-Im Bank deal?

---

- \$ needed by U.S. company to manufacture or provide service for export. Must directly relate to a contract from a foreign buyer.
- \$ needed by U.S. trading company to purchase more inventory for export.
- \$ needed by foreign Buyer to purchase U.S. manufactured goods or services.
- Foreign ECA (Germany, Japan, etc.) is providing “unfair” subsidies.



# Who We Are — What We Do

---

- Ex-Im Bank is an independent agency of the United States
  - Established in 1934
  - Headquartered in Washington, DC
  - 9 sales offices (4 in California)
  
- Mission: Find the exporters, assist the financing of the export sales, preserve or stimulate jobs in the economy.



# Four Basic Transactions of Ex-Im

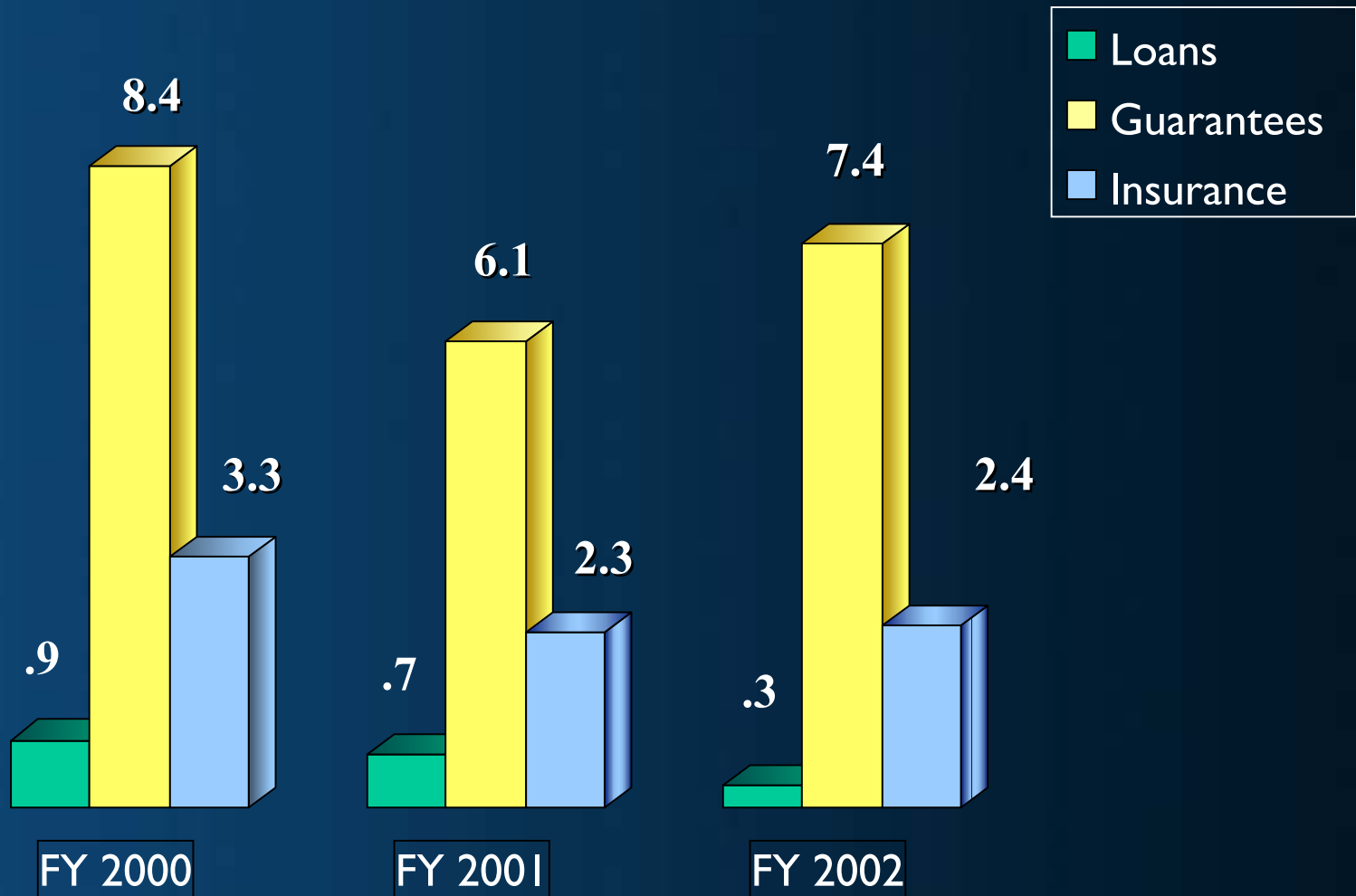
---

- We insure 90% of the payment risk in the short-term on open account sales
- We guarantee 90% of the risk on loans to Exporters
- We guarantee 100% of the risk on medium-term loans to foreign buyers
- In a Direct Loan, we match the financing terms of “unfair” competing countries, or make them play fair at market rates.





# \$10 Billion in Authorizations





# Congress mandates 20% to Small Business

---

- 86% of Ex-Im Bank's transactions in 2002 were for small businesses
- 18% of dollar value of exports Ex-Im Bank financed in 2002 was for small business exports
- The median loan to an Exporter that Ex-Im Guarantees is \$500,000



# Medium-Term Buyer Loans

---

- Commercial Lenders provide Buyer financing for acquisition of capital goods:
  - 1 to 7 years repayment and < \$10 million
  - 15% down payment, 85% financed amount
    - Ex-Im Guarantees
    - Ex-Im Insurance



# Medium-Term Guarantee Features

---

- 100% principal and interest cover for 85% of U.S. contract price
- Negotiated interest rate- usually floating
- Fully transferable; unconditional
- Available in major foreign currencies



# Medium-Term Insurance Features

---

➤ Single-buyer Medium-term insurance policy

➤ Repayment terms

Contract Price

Max. Term

less than \$80,000

two yrs

\$80,000 - less than \$175,000

three yrs

\$175,000 - less than \$350,000

four yrs

\$350,00 - 10,000,000

five yrs



# Credit Standards for Medium-Term Transactions

---

- **Standard criteria for evaluating risk**
- **Varying standards exist for transactions up to \$1 million and those over \$1 million to \$10 million**



# Long-Term Buyer Credits/Loans

---

Generally used for buyer financing of high value transportation and other equipment and/or project finance

- Amounts over \$10 million and > 7 years
- 15% down payment:  
85% financed amount
  - Guarantees
  - Direct Loans



# Direct Loans

---

- Loan made to buyers by Ex-Im Bank
- 85% of U.S. contract price
- Fixed interest rate
- Exporter paid with disbursement L/C or directly by buyer
- Shipping rules always apply





# Direct Loans

---

## Best Used When:

- Buyer insists on fixed rate
- Tied aid competition is present



# Conditions of Direct Loans

---

- Usually for \$10 million or more
- Credit agreement with Ex-Im Bank
- Disbursement process
- No cash payment support by lender
- Shipping requirements (PR17) apply



## Our current policy issues:

---

- Military Exports – can't do them
- Foreign Content – 51%
- Medium-term – **only** U.S. content covered, **only** for capital goods, **only** in countries where there are limited capital markets
- Restricted Countries – posted on web CLS
- Economic Impact and need for Ex-Im Bank
- Reasonable Assurance of Repayment
- Environmental



[www.exim.gov](http://www.exim.gov)

---

## Long Beach Regional Office

David Josephson (562) 980-4585

[david.josephson@exim.gov](mailto:david.josephson@exim.gov)

Paul Duncan (562) 980-4583

[paul.duncan@exim.gov](mailto:paul.duncan@exim.gov)